

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)
)
PETITION OF LIMESTONE WATER)
UTILITY OPERATING COMPANY,)
LLC FOR APPROVAL OF AND)
AUTHORITY TO BORROW UP TO)
\$4,000,000 TO FINANCE ADDITIONS)
AND IMPROVEMENTS TO)
FACILITIES AND ACQUISITIONS)
PURSUANT TO TENN. CODE ANN. §)
§65-4-109)

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DOCKET NO. 25-00066

**DIRECT TESTIMONY
OF
CLARK KAML**

November 6, 2025

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I. INTRODUCTION

1
2 **Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**
3 **OCCUPATION FOR THE RECORD.**

4 A1. My name is Clark Kaml. My business address is the Office of the Tennessee
5 Attorney General, John Sevier State Office Building, 500 Dr. Martin L. King Jr.
6 Blvd, Nashville, Tennessee 37243. I am a Financial Analyst employed by the
7 Consumer Advocate Division in the Office of the Tennessee Attorney General
8 (“Consumer Advocate”).

9 **Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND**
10 **PROFESSIONAL EXPERIENCE.**

11 A2. I received a Bachelor of Science Degree in Economics from the University of North
12 Dakota in 1987 and a Master of Arts Degree in Economics from the University of
13 North Dakota in 1988. I have more than 35 years of experience working in the
14 regulated utilities industries including electric, natural gas, telephone, and water. I
15 have worked for various agencies including the Public Service Commission of
16 North Dakota, the Kansas Corporation Commission, the Minnesota Public Utilities
17 Commission, the Minnesota Office of the Attorney General, and the Grant County
18 Public Utility District. I have worked with private companies, municipalities, and
19 served on a Rate Committee. I served as Co-Chair of the National Association of
20 State Utility Commissioners (“NARUC”) Staff Subcommittee on Strategic Issues
21 and am currently Co-Chair of the National Association of State Utility Consumer
22 Advocates (“NASUCA”) Gas Committee. In addition, I am the author of the book

1 “Don’t Fear the Cost Study.”¹

2 **Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE**
3 **TENNESSEE PUBLIC UTILITY COMMISSION (“TPUC” OR THE**
4 **“COMMISSION”)?**

5 A3. Yes. I filed testimony in the Tennessee-American Water Company’s (“TAWC”
6 or “Tennessee-American”) recent rate case, TPUC Docket No. 24-00032, the
7 Limestone Water Utility Operating Company’s recent rate case, TPUC Docket No.
8 24-00044, Chattanooga Gas Company’s Annual Rate Review, TPUC Docket No.
9 25-00028, the Kingsport Power Company’s Alternative Rate Mechanisms, TPUC
10 Docket No. 25-00022, Piedmont’s Annual Rate Review Filing, TPUC Docket No.
11 25-00036, TAWC’s Approval of Merger, TPUC Docket No. 25-00040, and
12 Integrated Resources Management’s Petition for an Alternative Rate Mechanism,
13 TPUC Docket No. 25-00072.

14 **Q4. ON WHOSE BEHALF ARE YOU TESTIFYING?**

15 A4. I am testifying on behalf of the Consumer Advocate.

16 **Q5. WHAT IS THE SCOPE OF YOUR REVIEW IN THIS PROCEEDING?**

17 A5. My testimony addresses the Consumer Advocate’s analysis and recommendations
18 regarding Limestone Water Utility Operating Company LLC’s (“Limestone” or the
19 “Company”) request for approval and authority to borrow up to \$4,000,000 to
20 finance additional and improvements to facilities and for acquisitions.

¹ Clark Kaml, Don’t Fear the Cost Study (2022).

1 **Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF**
2 **YOUR TESTIMONY?**

3 A6. I have reviewed the Petitioner's Pre-Filed Testimony, the exhibits and workpapers
4 filed with the Petitioner's Petition, as well as the Petitioner's responses to
5 discovery.

6 **Q7. WHAT ISSUES ARE YOU ADDRESSING?**

7 A7. My testimony addresses the following topics:
8
9 a. The requested authorization;
10 b. The source and use of the funds;
11 c. The terms of the loan; and
12 d. The corporate structure, capital structure, and total capitalization of
13 Limestone.

14 **Q8. WHAT ARE YOUR RECOMMENDATIONS?**

15 A. I recommend the Commission:
16
17 a. Restrict the use of funds to capital expenditures in service areas in which
Limestone already operates;
18 b. Require that in any cost recovery proceeding Limestone demonstrate
19 that the interest rate associated with the loan is competitive with rates in
20 that period; and
21 c. Require Limestone to provide to provide a detailed outline of how and
22 when the Grasslands project will be funded and the necessary upgrades
23 completed.

24 **II. LIMESTONE**

25 **Q9. WHAT SERVICES DOES LIMESTONE WATER COMPANY PROVIDE?**

26 A9. Limestone is a Tennessee limited liability company that provides water and
27 wastewater services to approximately 573 water connections and 1,914 wastewater
28 connections in Campbell, Hardeman, Hardin, Marshall, and Williamson County,

1 Tennessee.²

2 **Q10. EXPLAIN LIMESTONE’S CORPORATE STRUCTURE.**

3 A10. Limestone’s corporate structure is complicated. Limestone’s sole member is
4 Limestone Water Utility Holding Company, LLC (“LWUHC”), a Tennessee
5 limited liability company.³

- 6 • LWUHC is owned by Tennessee CSWR, LLC;
7 • Tennessee CSWR, LLC is owned by CSWR, LLC; and
8 • CSWR is owned by US Water, LLC.⁴

9 According to its website, “CSWR is a private, investor-owned, regulated water
10 utility company with a national footprint across 11 states.”⁵

11 **Q11. COMPANY WITNESS MR. THIES STATED THAT LIMESTONE IS THE**
12 **TENNESSEE UTILITY OPERATING COMPANY OF CSWR LLC, A**
13 **HOLDING COMPANY THAT OWNS AND OPERATES UTILITY**
14 **OPERATING COMPANIES IN 11 STATES. DO YOU AGREE WITH THIS**
15 **STATEMENT?**

16 A11. With the clarification that CSWR LLC owns Limestone through two levels of
17 holding companies, that portion of the statement is correct. The extent to which
18 CSWR operates Limestone or other utility operating companies in other states has
19 not been verified and is subject to definition, as the operating companies are

² *Petition* at 1-2.

³ *Id.* at 2.

⁴ *In re: Limestone Water Utility Operating Company, LLC Application to Expand its Certificate of Convenience and Necessity to Serve the Campbell Hollow Subdivision, Sevier County, Tennessee*, *Petition*, Exhibit 3 – Operating Agreement of Limestone Water Operating Company, LLC., and Exhibit 7 – Central States Water Resources Corporate Entity Organizational Chart, TPUC Docket No. 25-00057 (August 5, 2025). Exhibits 3 & 7 can be accessed at <https://tpucdockets.tn.gov/archive/filings/2025/2500057.pdf>.

⁵ CENTRAL STATES WATER RESOURCES, “Who is Central States Water Resources (CSWR)?”, <https://centralstateswaterresources.com/frequently-asked-questions/> (last visited November 4, 2025).

1 generally two holding companies below CSWR, LLC.⁶ There may also be a
2 difference in the definition of “operating.” Holding companies operate subsidiaries
3 through ownership and control of the subsidiary. Holding companies are not
4 generally involved in the day-to-day operations of the subsidiaries.

5 **Q12. WHY IS THE DISTINCTION BETWEEN OPERATING THROUGH**
6 **CONTROL AND DAY-TO-DAY OPERATIONS IMPORTANT?**

7 A12. When a holding company states that it operates utility operating companies, there
8 can be a perception that the holding company is involved in the operations of the
9 utility. That is not an unreasonable conclusion nothing prevents a holding company
10 from being involved in the operations of its subsidiaries. Furthermore, with the use
11 of service agreements among holding companies and their affiliates, the holding
12 companies may be more involved in the operations of subsidiaries. On occasion,
13 distinguishing between parent and subsidiary may be difficult. The extent to which
14 CSWR is involved Limestone’s operations has not been explored. Regardless of
15 the level of involvement in the operations of the utility, the corporate structure
16 provides liability protection and risk management for the holding company.

17 **III. REQUESTED AUTHORIZATION**

18 **Q13. LIMESTONE REQUESTED AUTHORIZATION PURSUANT TO T.C.A. §**
19 **65-4-109. WHAT IS REQUIRED BY THIS STATUTE?**

20 A13. The statute requires:

21 No public utility shall issue any stocks, stock certificates, bonds,
22 debentures, or other evidences of indebtedness payable in more than one
23 (1) year from the date thereof, until it shall have first obtained authority

⁶ *Petition, Exhibit 7, TPUC Docket No. 25-00057.*

1 from the commission for such proposed issue. It shall be the duty of the
2 commission after hearing to approve any such proposed issue maturing
3 more than one (1) year from the date thereof upon being satisfied that
4 the proposed issue, sale and delivery is to be made in accordance with
5 law and the purpose of such be approved by the commission.

6 **Q14. WHAT FACTORS ARE COMMONLY EVALUATED BY REGULATORS**
7 **WHEN REVIEWING SECURITY ISSUANCE REQUESTS FOR**
8 **UTILITIES?**

9 A14. Regulators commonly review the source and use of funds, the resulting capital
10 structure, along with the terms and conditions of the financing of an issuance when
11 reviewing the requests.

12 **Q15. WHY IS THE SOURCE OF FUNDS IMPORTANT?**

13 A15. The various sources and types of funding have different costs. The source of
14 financing, such as private or public offerings, can influence the cost, as does the
15 type of financing, such as debt and equity. Therefore, it is necessary to review the
16 source of funds to determine whether the resulting capital structure has a reasonable
17 balance of debt and equity, enabling the company to attract capital while
18 minimizing the weighted average cost of capital.

19 **Q16. WHAT ARE YOUR OBSERVATIONS REGARDING THE SOURCE AND**
20 **TYPE OF FUNDING?**

21 A16. The proposed financing is long-term debt in the form of a loan from an established
22 financial institution, Cobank. Cobank is a national cooperative bank headquartered
23 in Denver, Colorado, and is a member of the Farm Credit System (“FCS”). Cobank

1 states that it is the single largest provider of debt capital to the U.S. rural economy.⁷

2 The debt will be secured by the assets of Limestone.

3 **Q17. HOW DOES A LOAN DIFFER FROM A SECURITY ISSUANCE?**

4 A17. A loan and security issuances differ both in characteristics and the process utilized
5 to obtain the funds. A loan generally has the following characteristics:

- 6 • Is a negotiated agreement between specific parties, a lender and a
7 borrower, (was not subject an open market and public trading and is not
8 considered a “securities issuance”);
- 9 • Often has restrictions on transferability of the loan;
- 10 • Is subject to banking regulations;
- 11 • Includes terms including the principal and the interest rate on the
12 principal;
- 13 • Is often secured with collateral; and
- 14 • Terms and conditions can often be modified through additional
15 negotiations.

16 A security issuance (for this discussion, debt issuance) is generally used to obtain
17 financing by selling instruments (notes, bonds, stocks) to investors. Characteristics
18 include:

- 19 • The selling of multiple securities;
- 20 • For debt instruments, the interest rate, principal (face value) payments,
21 and maturity date is usually stated on the instrument;
- 22 • The funds raised by the sale is determined by the market price of the
23 issuances (and effective interest rate); and
- 24 • The return on the investment is determined by the market price for the
25 issuance.

⁷ COBANK, <https://www.cobank.com/web/cobank/corporate/farm-credit> (last visited November 4, 2025).

1 **Q18. WHY IS THE DISTINCTION NECESSARY?**

2 A18. A security issuance can provide information regarding investor perceptions of the
3 issuing entity (including risk or economic perspective) and the market cost of
4 interest.

5 In addition, the Company often refers to the financing as an issuance. The
6 frequency with which the term issuance is utilized can lead to the misinterpretation
7 that the financing is an open market transaction, reflecting investor perceptions and
8 open market rates, rather than a negotiated agreement. The competitive open
9 market has not determined the interest rate or the total amount of funds received
10 from the transaction. In turn, there is no market information being provided to
11 regulators.

12 **Q19. WHAT IS MEANT BY “TERMS AND CONDITIONS” OF A SECURITY?**

13 A19. For a loan, the terms and conditions outline the utility’s obligations including the
14 principal, interest rates, repayment schedule, fees, collateral, and legal protections.
15 These translate into financing costs that, if prudent, are included in rates and
16 recoverable from ratepayers. It is incumbent on regulators to ensure that costs
17 associated with the financing are reasonable. This is one opportunity for such a
18 review.

19 **Q20. DO YOU HAVE ANY CONCERNS WITH THE TERMS AND**
20 **CONDITIONS OF THE PROPOSED LOAN?**

21 A20. The proposed loan agreement is standard and does not raise general concerns. The
22 proposed interest rate raises some questions. The applicable rate will be determined

1 in the future.⁸ [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED] Absent
8 restrictions or parameters, the Consumer Advocate considers an open-ended
9 interest rate such as this to be excessive risk for ratepayers.

10 **Q21. WHAT DO YOU PROPOSE FOR THE INTEREST RATE?**

11 A21. I recommend that restrictions be placed on the interest rates. The recovery from
12 customers should be limited to a demonstration that the rate is comparable with
13 other sources of debt financing available to Limestone at the time of the financing.
14 This can be accomplished through different measures including the use of
15 competitive bidding, using an average of rates for companies with comparable bond
16 ratings, or limiting the interest rate to a number of basis points above US Treasury
17 Bonds with the same maturity.

18 Establishing a range from US Treasury Bonds has appeal due to its simplicity.
19 However, the spread between the US Treasury Bonds and business interest is not
20 consistent. A reasonable approach is to compare the interest rate to a group of
21 similar companies with similar bond ratings. However, neither Limestone nor

⁸ *Direct Testimony of Brent Theis at 7.*

⁹ *Petition, Confidential Exhibit 1, at. 2.*

1 CSWR have bond ratings. It may be necessary to find a group of proxies based on
2 other similar factors.

3 **Q22. DO YOU HAVE OTHER CONCERNS WITH THE AGREEMENT?**

4 A22. Yes. [REDACTED]
5 [REDACTED]¹⁰ Similar to the above concern,
6 this is open-ended and without sufficient parameters and subjects ratepayers to
7 unreasonable risk. At its extreme, this condition could essentially make the loan
8 callable.

9 **Q23. WHY IS THE USE OF FUNDS IMPORTANT?**

10 A23. A public utility has an obligation to provide safe, adequate, and reliable service to
11 all customers in its service area without undue discrimination, at just and reasonable
12 rates. A review of the use of funds offers regulators the opportunity to assess the
13 degree to which the company is obtaining funding to meet its service requirements.
14 Approval without verifying the purpose of the funds can impede prudency reviews
15 and challenges regarding use in later proceedings.

16 **Q24. WHAT ARE LIMESTONE'S STATED PURPOSES OF THE FUNDS?**

17 A24. Limestone states that the "fund necessary Tennessee capital projects, as well as to
18 finance pending and future Tennessee acquisitions."¹¹ [REDACTED]
19 [REDACTED]
20 [REDACTED].¹² The terms "[REDACTED]"

10 *Petition*, Confidential Exhibit 1, at 3.

11 *Petition* at 5, ¶ 11.

12 *Petition*, Confidential Exhibit 1, at 1.

1 and “capex” are often used interchangeably, although they may have different
2 meanings. Capex is often thought of as the cost of upgrading, or maintaining a
3 long-term asset, including infrastructure improvements. [REDACTED] is
4 often viewed as specific type of expenditure, those related to internal development,
5 such as spending on an organization’s own long-term assets. An acquisition is an
6 external purchase of assets. As noted above, three differ phrases are used to identify
7 the purpose of the funds, for:

- 8 • Tennessee capital projects;
- 9 • Tennessee acquisitions; and

10

11 The August 7, 2025, Non-Binding Summary of Terms and Conditions has not
12 defined the use of the funds with respect to the phrases “Tennessee capital
13 projects”, and “Tennessee acquisitions” as used in the *Petition*. The specific use of
14 the funds is uncertain. Given the need for upgrades discussed below, approval
15 should be directed to investments in existing service areas.

16 **Q25. WHY IS THIS DISTINCTION IMPORTANT?**

17 A25. The implications and type of review vary greatly for these two purposes. The
18 Consumer Advocate is supportive of and encourages capital improvement projects
19 necessary to provide safe and adequate service. Acquisitions do not translate to an
20 improvement in existing infrastructure. Furthermore, acquisitions of utility
21 companies are fraught with issues surrounding pricing, value, acquisition costs, and
22 legal issues. Several existing large projects that require attention. Specific projects,
23 amounts and target dates are:

24

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Facility	Amount	Expected Completion
Grasslands Facility	\$16,000,000	7/1/2027
Shiloh Falls Spray Field:	\$2,500,000	3/1/2027
Candlewood Lakes Well Installation	\$1,344,174	6/30/2026

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The capital needs for the Grasslands Facility are approximately four times the proposed loan amount. When completed, the monthly bill impact from the Grasslands upgrade is estimated to be \$90.07 per customer, assuming that the cost is spread over the entire Limestone system.¹³

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Limestone has upgrades that are necessary to provide quality service within certain service territories. Using the proposed funds to acquire additional systems, some of which may need significant upgrades themselves, does nothing to advance addressing the serious quality of service problems within the Grassland system. Given existing upgrade requirements, allowing these funds to be used for activities that do not result in physical improvements of the system may not be prudent. The limitation regarding use is relevant given that the “ [REDACTED] [REDACTED] .”¹⁴

14

Q26. WHAT DO YOU RECOMMEND REGARDING THE USE OF FUNDS?

15

A26. The Consumer Advocate recommends that the use of funds be limited to funding

16

[REDACTED] of systems in Limestone’s *existing* service area with the

17

clarification that [REDACTED] is for upgrades or expansion of *existing*

¹³ Exhibit CDK-1.

¹⁴ *Petition*, Confidential Exhibit 1, at 3.

1 systems.

2 **Q27. WHAT IS THE IMPORTANCE OF THE COMPANY'S CORPORATE**
3 **STRUCTURE FOR FINANCING?**

4 A27. The Company states that its current capital structure consists entirely of invested
5 equity.¹⁵ The statement is technically correct. When a company is a wholly owned
6 subsidiary, the parent company can borrow money, then invest that debt as equity
7 into its subsidiary. This can increase a parent company's earnings because the
8 capital cost can be significantly lower than the equity in the subsidiary.¹⁶ It can
9 distort the risk associated with the corporate structure and influence an entity's
10 ability to obtain additional capital.

11 **Q28. HOW DOES THIS DIFFER FROM AN INDIVIDUAL USING DEBT TO**
12 **BUY STOCK?**

13 A28. An individual using debt to purchase a stock is single leverage. It can amplify the
14 earnings for the individual and ultimate investor. When a corporation has used the
15 same leverage, the earnings are amplified in a similar manner. The earnings and
16 risk still reside within a business entity. The earnings at the holding company level
17 are then leveraged up to the next level of ownership. The leverage can be more
18 extensive with additional levels of ownership. Some considerations are the type of
19 financing, the underlying costs of the financing, and the associated risks with the
20 holding company structures.

¹⁵ *Direct Testimony of Brent Theis* at 8.

¹⁶ Furthermore, equity costs are stated on an after-tax basis, therefore equity costs have a tax gross-up component, while debt costs are tax deductible and therefore do not require a tax gross-up component.

1 **Q29. IS THIS A WELL-KNOWN AND UNDERSTOOD CONCEPT?**

2 A29. Yes. This topic has been widely discussed in the regulated utilities industry and is
3 the subject of legislative action. The problems and financial complications
4 stemming from holding companies for utility service resulted in the passage of the
5 Public Utility Holding Company Act of 1935 (“PUHCA”). The PUHCA gave the
6 SEC authority to simplify holding structures in both technical and financial
7 integration.¹⁷ Section 11(b)(2), required the simplification of intercorporate
8 relationships and financial structures of holding company systems. It directed the
9 SEC to take steps to:¹⁸

10 ensure that the corporate structure or continued existence of any
11 company in the holding-company system does not unduly or
12 unnecessarily complicate the structure, or unfairly or inequitably
13 distribute voting power among security holders, of such holding-
14 company system. In carrying out the provisions of this paragraph the
15 Commission shall require each registered holding company (and any
16 company in the same holding-company system with such holding
17 company) to take such action as the Commission shall find necessary in
18 order that such holding company shall cease to be a holding company
19 with respect to each of its subsidiary companies which itself has a
20 subsidiary company which is a holding company.

21 **Q30. THE PUHCA OF 1935 WAS REPEALED IN 2005, WHAT IS ITS**
22 **RELEVANCE TODAY?**

23 A30. As noted above, a primary concern at the time was the complexity of the utility
24 holding companies and being able to track the financing and financial risk. There
25 was concern that public utilities were overcapitalized and that their capital
26 structures were not justified. The issues of over-capitalization are addressed

17 CHARLES PHILLIPS, THE REGULATION OF PUBLIC UTILITIES, at 239 (1993).

18 Public Utility Holding Company Act of 1935, Sec. 11(b)(2).

1 through regulatory accounting. Financing issues are more difficult to monitor with
2 holding companies and the same concerns exist today. Following the financing and
3 ownership, and thus risk, requires review of each holding company in the corporate
4 structure. For Limestone, the only financial information currently available is that
5 of the operating company. CSWR files an annual consolidated financial statement
6 with TPUC. However, the financial information and the financial condition and
7 risks, including total equity and total debt, of the other entities — like US Water,
8 LLC — in the holding company structure, are wholly unknown. In addition, a bond
9 rating does not exist for the primary entities in the holding structure. As a result,
10 the financial strength and risks of the holding company structure of which
11 Limestone is a member are unknown.

12 **Q31. IN TPUC STAFF’S DATA REQUEST, THE COMMISSION DIRECTED**
13 **LIMESTONE FOR A LIST OF DEBT FINANCING TRANSACTIONS**
14 **THAT HAVE BEEN APPROVED, ARE PENDING, OR HAVE BEEN**
15 **DENIED FOR AFFILIATES OF LIMESTONE THAT OPERATE IN**
16 **OTHER STATES. DOES THIS REQUEST PROVIDE THE NECESSARY**
17 **INFORMATION TO ASSESS THE FINANCIAL STRENGTH OF THE**
18 **CSWR ORGANIZATION?**

19 A31. While this is an important question that explores useful information regarding the
20 value of loans at the operating company level, additional information is necessary
21 to determine the financial strength and risks of Limestone.

1 **Q32. EXPLAIN THE RELEVANCE OF THE FINANCIAL STRENGTH AND**
2 **RISKS OF THE HOLDING COMPANY STRUCTURE AS IT APPLIES TO**
3 **LIMESTONE AND IN THE INSTANT PETITION.**

4 A32. The financial strength of the holding company structure affects the parent
5 company's ability to provide equity-backed financing to Limestone. If a subsidiary,
6 such as Limestone appears to be in this proceeding, requires capital, the holding
7 company may not be able to provide the capital in a timely manner. The equity-
8 backed financing and the holding company strength then influence Limestone's
9 ability to obtain debt financing. There is further risk that the holding company will
10 prioritize its interests over the subsidiary's long-term success.

11 Brent Thies discusses the constraints that Limestone has faced in obtaining debt
12 financing, noting that due to the phase-in of rates, the amount of debt that is
13 supported by the first phase is limited to less than the full amount of the
14 agreement.¹⁹

15 The difficulty of servicing the debt issuances and the necessary upgrades suggest
16 that Limestone may be facing financial stress.

17 **Q33. HOW DOES THIS INFLUENCE YOUR RECOMMENDATION?**

18 A33. The uncertainty surrounding the actual ownership and financial capability of
19 Limestone and CSWR prohibits the Commission from achieving one of its
20 fundamental responsibilities: (1) to monitor and understand the financial strength,
21 or lack thereof this jurisdictional utility; and (2) its ability to provide safe and

¹⁹ *Direct Testimony of Brent Theis at 6-7.*

1 efficient service.

2 As discussed above, there are immediate needs for upgrades at the Grasslands
3 facility, Shiloh Falls spray field, and Candlewood Lakes. How and when these
4 projects will be funded and completed is unknown. The Grasslands facilities has
5 reported issues and it is unclear if the improvements to this system will be
6 completed within the next year and a half, approximately.²⁰ The \$4 million loan,
7 even if matched with equity, is not sufficient to finance the identified problems
8 within the Limestone system.

9 The Commission should require the Company to provide a detailed outline of how
10 and when the Grasslands project will be funded and the necessary upgrades
11 completed.

12 **IV. RECOMMENDATIONS**

13 **Q34. WHAT IS THE CONSUMER ADVOCATE RECOMMENDING?**

14 A34. The Consumer Advocate recommends that:

- 15 • The funds from the debt issuance be limited to capital improvements in
16 existing Limestone service areas;
- 17 • The interest rate recoverable be limited to a demonstration that the
18 interest rate is competitive and consistent with rates of similar utilities;
19 and
- 20 • Limestone be required to provide a detailed outline of how and when
21 the Grasslands project will be funded and the necessary upgrades
22 completed.

²⁰ *Limestone Water Utility Operating Company, LLC First Report Demonstrating Compliance With Filing Requirements of Commission Order Issued March 28, 2025, Approving CCN to Serve Adley Subdivision in Williamson County, Tennessee Subject to Satisfaction of Certain Contingent Requirements* TPUC Docket No. 24-00020 (November 5, 2025).

1 **Q35. DOES THIS COMPLETE YOUR TESTIMONY?**

2 A35. Yes. However, I reserve the right to incorporate any new information that may

3 subsequently become available.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

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PETITION OF LIMESTONE WATER)
UTILITY OPERATING COMPANY,)
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§65-4-109)

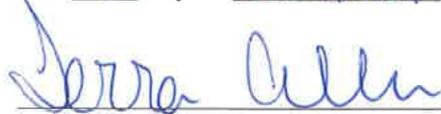
DOCKET NO. 25-00066

AFFIDAVIT

I, Clark Kaml, on behalf of the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.


CLARK KAML

Sworn to and subscribed before me
this 4th day of November, 2025.


NOTARY PUBLIC



My commission expires: 1/31/2027.

PUBLIC VERSION

Exhibit CDK-1
Limestone
Docket No. 25-00066

Calculation of Cost Impact from Upgrade
to the Grasslands System

	<u>Amount</u>	<u>Source</u>
Estimated total Capital Cost	\$ 16,000,000	Response to Staff DR 2
Divided by: Number of Limestone Wastewater Customers	<u>1,914</u>	Petition at 1
Capital Expenditure per Customer	\$ 8,359.46	
Gross of Tax Return	<u>10.43%</u>	Calculated from Commission Order: Docket 24-00044
Return per Customer	\$ 871.89	
Depreciation Expense per Customer - assume 2.5%	<u>\$ 208.99</u>	
Annual Cost Responsibility per Customer - Entire System	\$ 1,080.88	
Monthly Bill Impact from Grassland Upgrade Assumes Grassland Costs are spread to all customers	<u><u>\$ 90.07</u></u>	